

## Message Text

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PAGE 01 NEW DE 07646 190026Z  
ACTION NEA-11

INFO OCT-01 ISO-00 EB-08 COME-00 AGRE-00 TRSE-00 H-01  
L-03 CIAE-00 DODE-00 INR-10 NSAE-00 PA-01 ICA-11  
SP-02 DOE-15 SOE-02 OPIC-03 OMB-01 /069 W  
-----024079 200203Z /73  
R 160439Z MAY 78  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 1613

LIMITED OFFICIAL USE NEW DELHI 7646

FOLLOWING RECD FROM MADRAS SENT NEW DELHI, BOMBAY,  
CALCUTTA DATED MAY 15, 1978 BEING RPTD TO YOU

QUOTE

LIMITED OFFICIAL USE MADRAS 0803

E.O. 11652: N/A  
TAGS: EINV, ECEM, IN  
SUBJECT: REPORTED GOI INTENTION TO TAKE OVER AMOCO'S EQUITY IN  
COMPANY AS FERTILIZERS LIMITED

REF: (A) MADRAS 0616 (B) NEW DELHI 7073

1. IN AN ARTICLE ENTITLED "US FIRM'S RESERVATION ON FERTILIZER  
PRICE," THE HINDU DATED MAY 12 SAYS THAT THE GOI WILL GO AHEAD WITH  
ITS PROPOSAL TO ACQUIRE THE 24.5 PERCENT STOCKS OF AMOCO EK. IN  
MADRAS FERTILIZERS LIMITED (MFL) IF THE U.S. FIRM DOES NOT SIGN  
THE AGREEMENT RELATING TO THE NEW RETENTION PRICE FORMULA FOR  
FERTILIZERS MANUFACTURED BY MFL. AMOCO HAS REPORTEDLY  
EXPRESSED FEARS THAT THE RETENTION PRICE ALLOWED FOR MFL WOULD  
NOT GIVE THE COMPANY A POST-TAX RETURN OF 12 PERCENT. AMOCO  
INSISTS THAT THE GOI SHOULD CONSIDER ITS REPRESENTATION BEFORE  
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THE AGREEMENT IS SIGNED. HOWEVER, THE GOI WANTS AMOCO TO  
SIGN THE AGREEMENT FIRST OSTENSIBLY BECAUSE THE NEW RULE  
IS APPLICABLE TO ALL FERTILIZER COMPANIES THAT WORK UP TO  
80 PERCENT OF THEIR CAPACITY, AND GOI WOULD THEN CONSIDER  
AMOCO'S GRIEVANCE ON THE MERITS OF THE CASE. THE HINDU  
ARTICLE SAYS THAT AMOCO WOULD RATHER PULL OUT OF MFL THAN  
SIGN AN AGREEMENT THAT WOULD NOT CONSIDER AMOCO'S

POINT OF VIEW. REACTING TO THIS POSITION, THE GOI MINISTRY OF CHEMICALS AND FERTILIZERS HAS REPORTEDLY INFORMED AMOCO THAT THE GOVERNMENT WOULD BE GLAD TO PURCHASE AMOCO'S STOCKS AND HAS BEGUN THE PRELIMINARY STEPS FACILITATING THE TAKE-OVER. THE ONLY HURDLE APPEARS TO BE THE STAND THAT WOULD BE TAKEN BY THE OTHER FOREIGN EQUITY PARTICIPANT IN MFL, NAMELY THE NATIONAL IRANIAN OIL COMPANY (NIOC), WHICH ALSO HOLDS 24.5 PERCENT OF THE EQUITY. NIOC HAS NOT YET INDICATED WHETHER OR NOT IT WOULD GO THE GOI WAY AND SIGN THE AGREEMENT, BUT THE HINDU POINTS OUT THAT NIOC IN ALL PREVIOUS INSTANCES ON OTHER MATTERS HAS TAKEN A VIEW IDENTICAL TO THAT OF AMOCO. IN VIEW OF THE SEVERAL ECONOMIC AND COMMERCIAL RELATIONS STILL IN THE EVOLVING STATE BETWEEN THE GOVERNMENTS OF INDIA AND IRAN, IT WOULD BE DIFFICULT FOR GOI TO PRESSURE NIOC ON THE MFL ISSUE.

2. COMMENTS: IN LIGHT OF THE MESSAGE CONTAINED IN REFTEL (B), POST CONTACTED DR. EASO JOHN, MANAGING DIRECTOR OF MFL, TO CHECK THE ACCURACY OF THE HINDU ARTICLE. DR. JOHN COMMENTED THAT ESSENTIALLY THE STORY IS TRUE, BUT MADE CERTAIN OBSERVATIONS. AS FAR AS HE KNOWS NO NEGOTIATIONS HAVE TAKEN PLACE ON THE TRANSFER OF SHARES. AMOCO IS NOT ACTIVELY SEEKING TO PULL OUT OF MFL PARTICIPATION. HE DOES NOT KNOW WHO IS BEHIND THE STORY, BUT DEFINITELY NOT AMOCO, BUT HE REALIZES AN ATTEMPT IS BEING MADE TO MAKE IT APPEAR LIMITED OFFICIAL USE

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THAT AMOCO IS TRYING TO GET OUT OF MFL, PROBABLY BY SOMEONE IN GOI TRYING TO PUT THE ONUS ON THE AMERICAN COMPANY.

DR. JOHN SAID THERE WILL BE A MEETING OF THE SUB-COMMITTEE OF THE BOARD OF DIRECTORS IN MADRAS ON MAY 18 FOLLOWED BY A MEETING OF THE BOARD OF DIRECTORS IN BANGALORE ON MAY 23. HE ADVISED THAT WE CAN OBTAIN A MORE COMPLETE PICTURE AFTER THESE MEETINGS.

MCCASKILL UNQUOTE  
GOHEEN

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, NATIONALIZATION, PETROLEUM INDUSTRY, PRICES, FERTILIZERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978NEWDE07646  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780212-0385  
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**Message ID:** 0e48c19c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Channel Indicators:** n/a  
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**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2678654  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REPORTED GOI INTENTION TO TAKE OVER AMOCO'S EQUITY IN COMPANY AS FERTILZIERS LIMITED  
**TAGS:** EINV, ECEM, IN, AMOCO  
**To:** STATE  
**Type:** TE  
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